

International Migration and Economic Development. Lessons from Low-Income Countries

Robert E.B. Lucas

International migration is attracting increasing attention, both among governments in the industrialized countries and within various international agencies. This EGDI study offers an exhaustive review of the issues and evidence linking economic development of the low-income countries to their migration experiences in the high-income countries. The focus is on migration for work, acknowledging that the margins to other forms of migration in reality are blurred.

Four major migration streams

There are nearly 200 million international migrants in the world today. About half of them are women. In this study specific and detailed attention has been given to four migration streams:

- Migration to the European Union – primary focus on Eastern Europe and the High Maghreb, mainly irregular and short-term
- Contract workers in the Persian Gulf – from South and Southeast Asia: migration on fixed period contracts without family accompaniment
- The brain drain to North America – with particular attention to migration from India and the Philippines: highly skilled migrants admitted on permanent basis with family accompaniment
- Migration transition in East Asia – a case of increasingly integrated labour markets and short-term legal migration combined with widespread employment of trainees, students and irregular over-stayers

The links between migration and development differ from context to context, varying with the extent and nature of migration streams, their experiences, and the economic, political and social setting in the home country. There are no uniform answers to the frequently asked questions on the impact of international migration.

What causes migration?

Two distinct patterns are migration to relatively adjacent countries and migration to countries where others move. The argument that short-term eco-

nomics development stimulates migration – the occurrence of a migration hump – is not supported in the evidence. Economic development appears to discourage departure, provided that it contributes to more work opportunities and higher real wages. Controls do not prevent irregular migration. In each context studied here, irregular migration is prevalent.

The consequences: jobs and wages

Remarkably little is known about the impact on the labour market for those left behind. From this review, however, two broad categories of cases are discerned; the first category are countries where departing workers are easily replaced with no apparent loss in output or rise in wages at home. In the second category, there is significant upward pressure on wages. Both types of examples indicate labour market gains for those who remain at home, although one cannot deny the possibility of negative effects in other contexts.

Emigration of the highly skilled: brain drain?

Despite a range of potential costs, there is no systematic evidence to establish that migration of highly skilled normally represent a 'brain drain', in the sense of imposing a net loss for those left behind. The emigration of health care workers is, however, a case apart.

It is also uncertain whether emigration of highly skilled, as has been suggested, generally induces additional education amongst stayers – and in cases where it does, whether on balance the number of well educated at home actually increases. There is

little to support the theory of an expansion in the tertiary educated labour force at home, as a result of high-skilled emigration.

Remittances

Global remittances have grown rapidly in recent years and their role in alleviating poverty is well recognized. Remittances have proved to be a stable source of finance in relation to private capital flows but also in relation to Official Development Assistance. In 2001, recorded remittances amounted to over 72 billion US dollar, and thereby exceeded total ODA to developing countries. There are no reliable estimates on remittances through informal channels. The share is likely to vary widely between contexts.

It is disputed whether or not remittances accelerate economic growth. However, remittances clearly do raise income levels for many, and not necessarily only the recipients of remittances once multiplier effects of spending and the associated stimulus to labour markets are accounted for. There is also evidence that remittances move counter-cyclically, thus offering relief during recessions.

Policy efforts to stimulate remittances are common, but their effectiveness highly doubtful. The most efficient measure is in all likelihood to reduce the, often exorbitant, fees for formal transfers.

The diaspora and transnational networks

Beyond remittances, evidence suggests that countries can benefit from the relations with a migrant diaspora abroad, through such routes as stimuli to trade, technology transfers and capital investments. Of these, the promotion of trade links appears to be the most important channel for contributing to economic development at home, mainly in overcoming information barriers. The economic impact of a migrant diaspora depends, in addition, much on the home country economy.

Return and repeat migration

Circular migration has increased globally, both in the form of guest work programs and in labour opportunities for the highly skilled. The vast majority of guest workers return home, but even though returnees gained skills and experience, reintegration into the labour markets is not always easy and high non-employment rates are often a result. Among migrants admitted legally on a longer-term

basis to the OECD countries, return to the lower income countries is relatively rare. High barriers to migration may in fact also counteract the return of irregular migrants, in making the option of moving back and forth both difficult and costly.

The poorest pay more

Moving from a poor to a richer country entails large costs, even for legal migrants. Labour migration has become increasingly commercialized. Private recruitment companies charge high fees, which tend to increase the poorer the country. The higher the income differences between countries, and the higher demand for work abroad, the higher prices. Fees charged to the employer for the recruitments will most likely fall on the migrants, either directly or in the form of lower wages.

The intent to return

The intent to return assumes a central importance in the development implications of sojourns overseas. Without it, links with the diaspora evaporate over time: remittances and the stimuli to trade, capital flows and technology transfer die. Students and other highly skilled people who settle permanently abroad, and are able to bring their family or form a family abroad, contribute little to their home countries. The migrants themselves probably benefit more from permanent settlement, but those left at home do not.

A case for coherence

The major policies determining the important features of today's global migrations lie largely in the hands of the host countries. Industrialized countries have an interest in the economic development of migrant source countries, if only because these developments affect migration pressures. Industrial country policies are no doubt in need of greater cohesion. Aid, trade, capital flows and migration are intimately linked. At present, policies designed to affect one component often conflict with policies that are aimed elsewhere within this nexus.

Attempts to cajole governments in the lower income countries to control out migration are very unlikely to succeed: emigration controls are probably no more effective than immigration controls and would violate a basic human right. Cohesion is important: targeting blunt instruments clumsily is not. This is a fine line to tread.

EGDI Secretariat
Ministry for Foreign Affairs
Department for Development Policy
SE-103 39 Stockholm
Sweden
Tel +46 8 405 10 00
Fax +46 8 723 11 76
egdi.secretariat@foreign.ministry.se
www.egdi.gov.se

The Expert Group on Development Issues, EGDI, was established by the Swedish Government in 1995 with the objective of contributing to an increased understanding of development issues in a global context and increasing the effectiveness of development cooperation policies.

The task of the EGDI is to initiate studies that will have the potential to make contributions to development thinking and policymaking. In order to ensure a close relationship with research and policy communities around the world, internationally renowned specialists with extensive networks in their respective field work as members of the Expert Group.

A secretariat assists the group and a number of reference groups have direct contact with the work in progress. An annual budget is determined by the Swedish Government.